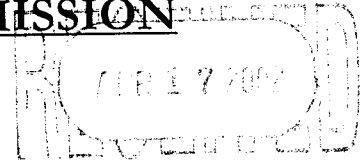


**ARIZONA CORPORATION COMMISSION**  
**UTILITIES DIVISION**

ARIZONA CORPORATION  
COMMISSION



Director of Utilities

**ANNUAL REPORT MAILING LABEL – MAKE CHANGES AS NECESSARY**



WS-02672A (water)  
CLOUD NINE WATER CO., INC.  
90 RAINBOW WAY  
SIERRA VISTA AZ 85635

**ANNUAL REPORT**

**FOR YEAR ENDING**

12	31	2001
----	----	------

FOR COMMISSION USE

ANN04	01
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Processed by:

4-19-02 C. M.

SCANNED

## COMPANY INFORMATION

**Company Name (Business Name)** Cloud Nine Water Company, Inc.

**Mailing Address** 90 Rainbow Way  
(Street)

Sierra Vista AZ 85635  
(City) (State) (Zip)

520-458-5854 520-458-4532 N/A  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Email Address** N/A

**Local Office Mailing Address** 90 Rainbow Way  
(Street)

Sierra Vista AZ 85635  
(City) (State) (Zip)

520-458-5854 520-458-4532 N/A  
Local Office Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Email Address** N/A

## MANAGEMENT INFORMATION

**Management Contact:** Nick Novasic President  
(Name) (Title)

90 Rainbow Way Sierra Vista AZ 85635  
(Street) (City) (State) (Zip)

520-458-5854 520-458-4532 N/A  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Email Address** \_\_\_\_\_

**On Site Manager:** Nick Novasic  
(Name)

90 Rainbow Way Sierra Vista AZ 85635  
(Street) (City) (State) (Zip)

520-458-5854 520-458-4532 N/A  
Telephone No. (Include Area Code) Fax No. (Include Area Code) Pager/Cell No. (Include Area Code)

**Email Address** N/A

<b>Statutory Agent:</b> <u>Eugene C. Gieseler</u>			
(Name)			
3040 E. Sunrise Dr., Ste. 200	Tucson	AZ	85718
(Street)	(City)	(State)	(Zip)
520-792-1181	520-792-2859		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	
<b>Attorney:</b> <u>Eugene C. Gieseler</u>			
(Name)			
3040 E. Sunrise Dr., Ste. 200	Tucson	AZ	85718
(Street)	(City)	(State)	(Zip)
520-792-1181	520-792-2859		
Telephone No. (Include Area Code)	Fax No. (Include Area Code)	Pager/Cell No. (Include Area Code)	

### OWNERSHIP INFORMATION

Check the following box that applies to your company:

- |   |   |
|---|---|
| <input type="checkbox"/> Sole Proprietor (S)    | <input type="checkbox"/> C Corporation (C) (Other than Association/Co-op) |
| <input type="checkbox"/> Partnership (P)        | <input checked="" type="checkbox"/> Subchapter S Corporation (Z)          |
| <input type="checkbox"/> Bankruptcy (B)         | <input type="checkbox"/> Association/Co op (A)                            |
| <input type="checkbox"/> Receivership (R)       | <input type="checkbox"/> Limited Liability Company                        |
| <input type="checkbox"/> Other (Describe) _____ |   |

### COUNTIES SERVED

Check the box below for the county/ies in which you are certificated to provide service:

- |                                     |   |                                   |
|-------------------------------------|---|-----------------------------------|
| <input type="checkbox"/> APACHE     | <input checked="" type="checkbox"/> COCHISE | <input type="checkbox"/> COCONINO |
| <input type="checkbox"/> GILA       | <input type="checkbox"/> GRAHAM             | <input type="checkbox"/> GREENLEE |
| <input type="checkbox"/> LA PAZ     | <input type="checkbox"/> MARICOPA           | <input type="checkbox"/> MOHAVE   |
| <input type="checkbox"/> NAVAJO     | <input type="checkbox"/> PIMA               | <input type="checkbox"/> PINAL    |
| <input type="checkbox"/> SANTA CRUZ | <input type="checkbox"/> YAVAPAI            | <input type="checkbox"/> YUMA     |
| <input type="checkbox"/> STATEWIDE  |   |                                   |

COMPANY NAME

Cloud Nine Water Company, Inc.

**UTILITY PLANT IN SERVICE**

Acct. No.	DESCRIPTION	Original Cost (OC)	Accumulated Depreciation (AD)	O.C.L.D. (OC less AD)
301	Organization	50,000.00	12,604.29	37,395.71
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	18,720.00	9,399.00	9,321.00
311	Pumping Equipment	46,920.00	23,567.09	23,352.91
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	58,755.00	29,501.00	29,254.00
331	Transmission and Distribution Mains	23,805.00	11,957.00	11,848.00
333	Services			
334	Meters and Meter Installations	315.00	293.88	21.12
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,485.00	744.00	741.00
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	200,000.00	88,066.26	111,933.74

This amount goes on the Balance Sheet Acct. No. 108

COMPANY NAME

Cloud Nine Water Company, Inc.

**CALCULATION OF DEPRECIATION EXPENSE FOR CURRENT YEAR**

Acct. No.	DESCRIPTION	Original Cost (1)	Depreciation Percentage (2)	Depreciation Expense (1x2)
301	Organization	50,000.00	2.5%	1,250.00
302	Franchises			
303	Land and Land Rights			
304	Structures and Improvements			
307	Wells and Springs	18,720.00	5%	936.00
311	Pumping Equipment	46,920.00	5%	2,348.00
320	Water Treatment Equipment			
330	Distribution Reservoirs and Standpipes	58,755.00	5%	2,938.00
331	Transmission and Distribution Mains	23,805.00	5%	1,191.00
333	Services			
334	Meters and Meter Installations	315.00	5%	0
335	Hydrants			
336	Backflow Prevention Devices			
339	Other Plant and Misc. Equipment	1,485.00	5%	74.00
340	Office Furniture and Equipment			
341	Transportation Equipment			
343	Tools, Shop and Garage Equipment			
344	Laboratory Equipment			
345	Power Operated Equipment			
346	Communication Equipment			
347	Miscellaneous Equipment			
348	Other Tangible Plant			
	<b>TOTALS</b>	<b>200,000.00</b>		<b>8,737.00</b>

This amount goes on Comparative Statement of Income and Expense Acct. No. 403.

COMPANY NAME

Cloud Nine Water Company, Inc.

**BALANCE SHEET**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>ASSETS</b>		
	<b>CURRENT AND ACCRUED ASSETS</b>		
131	Cash	\$ 4,778.18	\$ 3,101.83
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies		
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	<b>TOTAL CURRENT AND ACCRUED ASSETS</b>	\$ 4,778.18	\$ 3,101.83
	<b>FIXED ASSETS</b>		
101	Utility Plant in Service	\$ 200,000.00	\$ 200,000.00
103	Property Held for Future Use		
105	Construction Work in Progress		
108	Accumulated Depreciation – Utility Plant	79,329.26	88,066.26
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	<b>TOTAL FIXED ASSETS</b>	\$ 120,670.74	\$ 111,933.74
	<b>TOTAL ASSETS</b>	\$ 125,448.92	\$ 115,035.57

**NOTE:** The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

**BALANCE SHEET (CONTINUED)**

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	<b>LIABILITIES</b>		
	<b>CURRENT LIABILITIES</b>		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)	75.16	1,115.03
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits		
236	Accrued Taxes	366.56	52.35
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	<b>TOTAL CURRENT LIABILITIES</b>	\$ 441.72	\$ 1,167.38
	<b>LONG-TERM DEBT (Over 12 Months)</b>		
224	Long-Term Notes and Bonds	\$	\$
	<b>DEFERRED CREDITS</b>		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction		
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction		
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	<b>TOTAL DEFERRED CREDITS</b>	\$	\$
	<b>TOTAL LIABILITIES</b>	\$ 441.72	\$ 1,167.38
	<b>CAPITAL ACCOUNTS</b>		
201	Common Stock Issued	\$ 200,000.00	\$ 200,000.00
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	(74,992.80)	(86,131.81)
218	Proprietary Capital (Sole Props and Partnerships)		
	<b>TOTAL CAPITAL</b>	\$ 125,007.20	\$ 113,868.19
	<b>TOTAL LIABILITIES AND CAPITAL</b>	\$ 125,448.92	\$ 115,035.57

**COMPARATIVE STATEMENT OF INCOME AND EXPENSE**

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 19,509.51	\$ 13,626.81
460	Unmetered Water Revenue		
474	Other Water Revenues		
	<b>TOTAL REVENUES</b>	<b>\$ 19,509.51</b>	<b>\$ 13,626.81</b>
	<b>OPERATING EXPENSES</b>		
601	Salaries and Wages	\$	\$
610	Purchased Water	11,308.78	8,405.85
615	Purchased Power		
618	Chemicals		
620	Repairs and Maintenance	0	2,419.50
621	Office Supplies and Expense	66.00	136.00
630	Outside Services	802.50	910.00
635	Water Testing	1,345.00	2,459.87
641	Rents		
650	Transportation Expenses		
657	Insurance – General Liability		
659	Insurance - Health and Life		
666	Regulatory Commission Expense – Rate Case		
675	Miscellaneous Expense	578.00	360.90
403	Depreciation Expense	8,737.00	8,737.00
408	Taxes Other Than Income	(5.58)	120.97
408.11	Property Taxes	1,436.06	1,830.64
409	Income Tax		
	<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 24,267.76</b>	<b>\$ 25,380.73</b>
	<b>OTHER INCOME/EXPENSE</b>		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income	555.00	614.91
426	Miscellaneous Non-Utility Expenses		
427	Interest Expense		
	<b>TOTAL OTHER INCOME/EXP</b>	<b>\$ 555.00</b>	<b>\$ 614.91</b>
	<b>NET INCOME/(LOSS)</b>	<b>\$ (4,203.25)</b>	<b>\$ (11,139.01)</b>



COMPANY NAME

Cloud Nine Water Company, Inc.

**SUPPLEMENTAL FINANCIAL DATA****Long-Term Debt**

	<b>LOAN #1</b>	<b>LOAN #2</b>	<b>LOAN #3</b>	<b>LOAN #4</b>
Date Issued	N/A			
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate				
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 0

Meter Deposits Refunded During the Test Year

\$ 0

COMPANY NAME

Cloud Nine Water Company, Inc.

**WATER COMPANY PLANT DESCRIPTION****WELLS**

ADWR ID Number	Pump Horsepower	Pump Yield (Gpm)	Casing Size (inches)	Meter Size (inches)
	30		4"	
	40		4"	

**OTHER WATER SOURCES**

Name or Description	Capacity (gpm)	Gallons Purchased or Obtained (in thousands)

TOTAL GALLONS PUMPED (NOT SOLD) THIS YEAR (thous.) = \_\_\_\_\_

BOOSTER PUMPS		FIRE HYDRANTS	
Horsepower	Quantity	Quantity Standard	Quantity Other
5	1		
15	1		

STORAGE TANKS		PRESSURE TANKS	
Capacity	Quantity	Capacity	Quantity
300,000	1	20,000 ea	2
20,000	1		

STATISTICAL INFORMATION

Total number of customers	52 Metered	199 Unmetered
Total number of gallons sold	88,259,000	gallons

COMPANY NAME Cloud Nine Water Company, Inc. YEAR ENDING 12/31/2001

**INCOME TAXES**

For this reporting period, provide the following:

Federal Taxable Income Reported	<u>(11,067.00)</u>
Estimated or Actual Federal Tax Liability	<u>0</u>

State Taxable Income Reported	<u>(11,067.00)</u>
Estimated or Actual State Tax Liability	<u>0</u>

Amount of Grossed-Up Contributions/Advances:

Amount of Contributions/Advances	<u>N/A</u>
Amount of Gross-Up Tax Collected	<u>N/A</u>
Total Grossed-Up Contributions/Advances	<u>N/A</u>

Decision No. 55774 states, in part, that the utility will refund any excess gross-up funds collected at the close of the tax year when tax returns are completed. Pursuant to this Decision, if gross-up tax refunds are due to any Payer or if any gross-up tax refunds have already been made, attach the following information by Payer: name and amount of contribution/advance, the amount of gross-up tax collected, the amount of refund due to each Payer, and the date the Utility expects to make or has made the refund to the Payer.

**CERTIFICATION**

The undersigned hereby certifies that the Utility has refunded to Payers all gross-up tax refunds reported in the prior year's annual report. This certification is to be signed by the President or Chief Executive Officer, if a corporation; the managing general partner, if a partnership; the managing member, if a limited liability company or the sole proprietor, if a sole proprietorship.

Nick Novasic  
**SIGNATURE**

4-15-02  
**DATE**

Nick Novasic  
**PRINTED NAME**

President  
**TITLE**

COMPANY NAME Cloud Nine Water Company, Inc. YEAR ENDING 12/31/2001

**WATER AND SEWER  
UTILITIES ONLY**

**PROPERTY TAXES**

Indicate the amount of actual property taxes paid during this reporting period (Calendar Year 2001)

\$ 1,830.64

Attach to this annual report proof (e.g. property tax bills stamped "paid in full" or copies of cancelled Checks for property tax payments) of any and all property taxes paid during the calendar year.

If no property taxes paid, explain reasons below:

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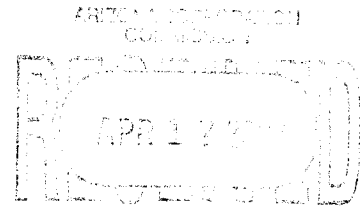
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**VERIFICATION  
AND  
SWORN STATEMENT  
Intrastate Revenues Only**



**VERIFICATION**

STATE OF Arizona

I, THE UNDERSIGNED

OF THE

COUNTY OF (COUNTY NAME) <u>Cochise</u>
NAME (OWNER OR OFFICIAL) TITLE <u>Nick Novasic, President</u>
COMPANY NAME <u>Cloud Nine Water Company, Inc.</u>

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENT OF TITLE 40, ARTICLE 8, SECTION 40-401, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS DURING CALENDAR YEAR 2001 WAS:

Arizona IntraState Gross Operating Revenues Only (\$)

\$ 15,122.95

(THE AMOUNT IN BOX ABOVE  
INCLUDES \$ 881.23  
IN SALES TAXES BILLED, OR COLLECTED

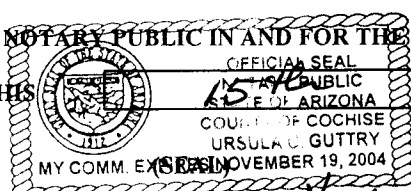
**\*\*REVENUE REPORTED ON THIS PAGE MUST INCLUDE SALES TAXES BILLED OR COLLECTED. IF FOR ANY OTHER REASON, THE REVENUE REPORTED ABOVE DOES NOT AGREE WITH TOTAL OPERATING REVENUES ELSEWHERE REPORTED, ATTACH THOSE STATEMENTS THAT RECONCILE THE DIFFERENCE. (EXPLAIN IN DETAIL)**

Nick Novasic  
SIGNATURE OF OWNER OR OFFICIAL  
520-458-5854  
TELEPHONE NUMBER

SUBSCRIBED AND SWORN TO BEFORE ME

A NOTARY PUBLIC IN AND FOR THE COUNTY OF

THIS



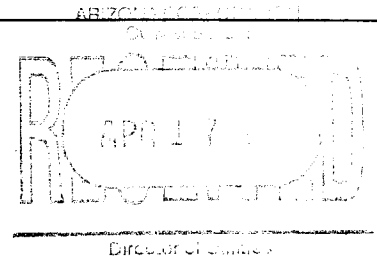
DAY OF

COUNTY NAME <u>Cochise</u>	
MONTH <u>April</u>	20 <u>02</u>

SIGNATURE OF NOTARY PUBLIC

MY COMMISSION EXPIRES Nov. 19, 2004

**VERIFICATION  
AND  
SWORN STATEMENT  
RESIDENTIAL REVENUE  
INTRASTATE REVENUES ONLY**



**VERIFICATION**

**STATE OF ARIZONA**

**I, THE UNDERSIGNED**

**OF THE**

(COUNTY NAME) Cochise	
NAME (OWNER OR OFFICIAL) Nick Novasic	TITLE President
COMPANY NAME Cloud Nine Water Company, Inc.	

**DO SAY THAT THIS ANNUAL UTILITY REPORT TO THE ARIZONA CORPORATION COMMISSION**

**FOR THE YEAR ENDING**

MONTH	DAY	YEAR
12	31	2001

HAS BEEN PREPARED UNDER MY DIRECTION, FROM THE ORIGINAL BOOKS, PAPERS AND RECORDS OF SAID UTILITY; THAT I HAVE CAREFULLY EXAMINED THE SAME, AND DECLARE THE SAME TO BE A COMPLETE AND CORRECT STATEMENT OF BUSINESS AND AFFAIRS OF SAID UTILITY FOR THE PERIOD COVERED BY THIS REPORT IN RESPECT TO EACH AND EVERY MATTER AND THING SET FORTH, TO THE BEST OF MY KNOWLEDGE, INFORMATION AND BELIEF.

**SWORN STATEMENT**

IN ACCORDANCE WITH THE REQUIREMENTS OF TITLE 40, ARTICLE 8, SECTION 40-401.01, ARIZONA REVISED STATUTES, IT IS HEREIN REPORTED THAT THE GROSS OPERATING REVENUE OF SAID UTILITY DERIVED FROM ARIZONA INTRASTATE UTILITY OPERATIONS RECEIVED FROM RESIDENTIAL CUSTOMERS DURING CALENDAR YEAR 2001 WAS:

ARIZONA INTRASTATE GROSS OPERATING REVENUES  \$ 15,122.95
---

(THE AMOUNT IN BOX AT LEFT  
INCLUDES \$ 881.23  
IN SALES TAXES BILLED, OR COLLECTED

**\*RESIDENTIAL REVENUE REPORTED ON THIS PAGE  
MUST INCLUDE SALES TAXES BILLED.**

X Nick Novasic  
SIGNATURE OF OWNER OR OFFICIAL

**SUBSCRIBED AND SWORN TO BEFORE ME**

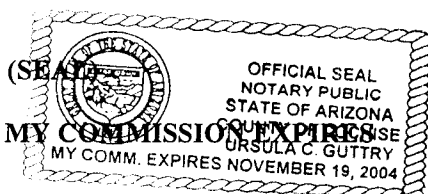
**A NOTARY PUBLIC IN AND FOR THE COUNTY OF**

**THIS**

15<sup>th</sup>

**DAY OF**

NOTARY PUBLIC NAME	
COUNTY NAME Cochise	
MONTH April	20 02



X Ursula C. Guttery  
SIGNATURE OF NOTARY PUBLIC

01949-16 8705 ETC  
CLOUD 9 WATER COMPANY, INC.

90 RAINBOW WAY 458-5855  
SIERRA VISTA, AZ 85635

1572

91-170/1221

Oct. 29, 2001

Pay to the order of Marsha Bonham-Cochise Co. Treasurer

\$ 1830.64

INSURED  
738297

1830 DOLS 64 CTS

Dollars

**Bank of America**

Sierra Vista Branch 08524  
3148 E. Fry Blvd.

Sierra Vista, AZ 85635

257-0001 In Phoenix, 1-800-284-8491 Nationwide

Pay to the order of 949-16-870-5, 949-16-830B-7, 107-50-292-7

*Wesley Guttry*

001572

1221017061

073784184

0000183064

NO OF 05

122100824

BANK ONE, ARIZONA, N.A.  
PHOENIX, ARIZONA

11/06/01 E2131 01 P01

3550299250

1154539073

122100024  
THE ORDER OF  
BANK ONE 019

05 01

DEPOSIT ONLY  
AM TREASURER &  
COCHISE CNTY